

ASSEMBLY BILL

No. 2360

Introduced by Assembly Member Honda

February 24, 2000

An act to amend Section 19521 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2360, as introduced, Honda. Income and bank and corporation tax laws: interest on overpayments and underpayments.

Existing income and bank and corporation tax laws, in modified conformity to federal income tax laws, specify how to determine the applicable interest rates with respect to certain overpayments and underpayments.

This bill would provide additional conformity to those federal income tax laws relating to elimination of interest on overlapping periods of tax overpayments and underpayments.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 19521 of the Revenue and
2 Taxation Code is amended to read:
3 19521. (a) The rate established under this section
4 (referred to in other code sections as “the adjusted annual

1 rate”) shall be determined in accordance with Section
2 6621 of the Internal Revenue Code, except that:

3 (1) The overpayment rate specified in Section
4 6621(a)(1) of the Internal Revenue Code shall be
5 modified to be equal to the underpayment rate
6 determined under Section 6621(a)(2) of the Internal
7 Revenue Code; and

8 (2) The determination specified in Section 6621(b) of
9 the Internal Revenue Code shall be modified to be
10 determined semiannually as follows:

11 (A) The rate for January shall apply during the
12 following July through December, and

13 (B) The rate for July shall apply during the following
14 January through June.

15 (b) (1) For purposes of this part, Part 10
16 (commencing with Section 17001), Part 11 (commencing
17 with Section 23001), and any other provision of law
18 referencing this method of computation, in computing
19 the amount of any interest required to be paid by the state
20 or by the taxpayer, or any other amount determined by
21 reference to that amount of interest, that interest and
22 that amount shall be compounded daily.

23 (2) Paragraph (1) shall not apply for purposes of
24 computing the amount of any addition to tax under
25 Section 19136 or 19142.

26 (c) Section 6621(c) of the Internal Revenue Code,
27 relating to increase in underpayment rate for large
28 corporate underpayments, is modified as follows:

29 (1) The applicable date shall be the 30th day after the
30 earlier of either of the following:

31 (A) The date on which the proposed deficiency
32 assessment is issued.

33 (B) The date on which the notice and demand is sent.

34 (2) This subdivision shall apply for purposes of
35 determining interest for periods after December 31, 1991.

36 (3) Section 6621(c)(2)(B)(iii) of the Internal
37 Revenue Code shall apply for purposes of determining
38 interest for periods after December 31, 1998.

39 (d) (1) *Section 6621(d) of the Internal Revenue*
40 *Code, as added by Public Law 105-206, relating to*

1 *elimination of interest on overlapping periods of tax*
2 *overpayments and underpayments, shall apply except*
3 *“tax imposed by this title” shall be replaced with “tax*
4 *imposed under this part, Part 10 (commencing with*
5 *Sections 17001), or Part 11 (commencing with Section*
6 *23001).”*

7 *(2) (A) Except as provided in subparagraph (B), the*
8 *amendments made by the act adding this subdivision*
9 *shall apply to interest for periods beginning after the*
10 *effective date of the act adding this subdivision.*

11 *(B) Subject to any applicable statute of limitation not*
12 *having expired with regard to either a tax underpayment*
13 *or a tax overpayment, the amendments made by the act*
14 *adding this subdivision shall apply to interest for periods*
15 *beginning before the date of the enactment of the act*
16 *adding this subdivision if the taxpayer does both of the*
17 *following:*

18 *(i) Reasonably identifies and establishes periods of the*
19 *tax overpayments and underpayments for which the zero*
20 *rate applies.*

21 *(ii) Not later than December 31, 2001, requests in*
22 *writing that the Franchise Tax Board apply this*
23 *subdivision.*

